

SECRET

10 March 1972

MEMORANDUM FOR THE RECORD

SUBJECT: Office of Finance Criteria for Processing Financial
Transactions against the Property Procurement Account

1. At the request of Chief, Supply Management Branch, Supply Division,

ments of the Office of Finance in providing financial support to O/L transactions under PPA, particularly with reference to the newly established FAN's created to accumulate obligation information on repair, modification, and fabrication of stock items.

2. Two types of expenses are incurred under these accounts:

a. Contract service in connection with repair, modification, or fabrication of stock items.

b. Contract production of end items.

3. Mr. Poyant outlined the basic requirements of the Agency which must be met prior to certification of a financial transaction. These in summary are:

a. Documentation authorizing disbursement action. This may be in form of a contract, purchase order, travel order, etc.

b. Evidence that funds under the allotment cited are available for the purpose of the disbursement. This would include citation of the FAN, obligation reference number (e.g. requisition number and/or voucher number), certification of availability of funds, signature of the approving officer, etc.

c. Appropriate evidence that the disbursement was or is to be made for the purpose and to whom intended. This would include signed receipts, cancelled checks, bank transfers, etc.

d. Evidence of receipt of property or service. Office of Finance Instruction 127, dated 15 September 1967, provides that "In a procurement transaction the Certifying Officer shall be provided with a receiving report as documentary support for the transaction." "When receipt of services or property cannot be evidenced by a receiving

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report, an approving officer of the component responsible for the agreement shall certify on the appropriate document that the service has been rendered or the property received or shall furnish the Certifying Officer a memorandum to that effect."

e. Approval by a designated approving officer. The original voucher must be signed by the proper administrative officer of the Agency who is cognizant of and may truthfully certify to the facts stated in the voucher. His signature attests that the transaction is in conformance with Agency regulations, that it is reasonable ~~in~~ in amount, and necessary to further the mission of the Agency.

4. These criteria apply to all financial transactions including those of the Property Procurement account. Within the context of criteria for certification, the undersigned and representatives of the Office of Finance discussed the points raised by Chief, Supply Management Branch, relating to financial transactions and certification against the Repair, Modification, and Fabrication accounts under the Property Procurement Account.

a. The Office of Logistics, which initiates the documentation leading to ultimate billings and certification, must indicate the nature of the transaction. If the transaction is for services, appropriate identification as such will enable the Office of Finance to apply the criteria outlined above to billings received and certify the transaction as a concurrent expenditure and direct cost with further accountability dropped. If the transaction is for acquisition of material, the Office of Finance requires a copy of a signed receiving report. Evidence of receipt for goods is not a basis for write-off of accountability. The billing is recorded as an expenditure and the asset is picked up in the Financial Property Accounts as property on hand or other account as appropriate for the transaction. Accountability for material acquired under PPA can be dropped only through the FPA system of accounts.


b. The FAN (Financial Account Number) is a code for the budgetary accounts of the Agency which are used for budget preparation and budget execution purposes. The FAN is not a part of the financial General Ledger Accounts of the Agency nor does it affect accounting transactions under the General Ledger Accounts. Since the FAN is for budgetary purposes, propriety of FAN designation is the responsibility of the Office to whom funds are allotted. Although O/F has no responsibility for certifying propriety of a FAN citation against a specific transaction (other than fiscal year or organizational jurisdiction), representatives of the O/F may informally question what appears to be

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a clerical or administrative error. The ultimate decision, however, is that of the allottee office which operates under budgetary authorities and responsibilities to the Executive Director/Comptroller through OPPB.

c. The Office of Finance has no record of instruction from the Office of Logistics which would limit use of the Property Procurement Accounts to acquisition of tangible material items only.

d. Although processing of documentation is facilitated by use of forms or commonly used format, the form or format of the documentation is not an absolute necessity as long as the documentation furnished satisfies criteria for certification. Therefore, use of a Form 2420 or Form 88, insofar as O/F is concerned, does not dictate the accounting treatment accorded the transaction.


Chief, Budget and Fiscal Branch, EO/OL

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Division, O/F

March 13, 1972
Date

cc: OL/SD/SMB
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